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DE RUEHPG #0609 2890842
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FM AMEMBASSY PRAGUE
TO RUEHC/SECSTATE WASHDC 1829
INFO RUEHRL/AMEMBASSY BERLIN 0536
RUEAIIA/CIA WASHDC
RHMFIUU/FBI WASHINGTON DC
RUEKJCS/SECDEF WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS PRAGUE 000609

SENSITIVE
SIPDIS

PM/DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A
TAGS: [ETTC](#) [EZ](#) [GM](#) [KOMC](#)
SUBJECT: BLUE LANTERN LEVEL 3: POST SHIPMENT END-USE CHECK
ON LICENSE 050171972

REF: STATE 67206

¶1. (SBU) In response to reftel, POLOFF conducted multiple interviews regarding the Czech firm Glomex MS to establish the bona fides of the firm in relation to its participation in the export of aviation equipment to the Czech Republic. In addition to an interview with the President of Glomex MS, Stepan Odvody, POLOFF also conducted interviews with representatives of the Czech Ministry of Defense and Ministry of Industry and Trade per reftel instructions.

¶2. (SBU) On 21 August 2009, POLOFF met with Stepan Odvody, the President of Glomex MS. Glomex was originally established in 1998. A separate military supply branch was created in 2002 and, in August 2008, Glomex MS was created as a separate entity from Glomex dealing exclusively with defense related materials. Mr Odvody started the company with his partner, Martin Vyhnaelek, who currently manages Glomex, handling non-defense related transactions.

¶3. (SBU) Until recently, Glomex MS's sole customer was the Czech Ministry of Defense. This changed when the firm recently completed a transaction with the Slovak Ministry of Defense. Glomex MS has no direct relationship with the U.S. firm Transaero, but does act as Transaero's representative in the Czech Republic. Glomex MS cooperates with the German firm BHV in marketing Transaero's products and all purchases of Transaero products go through BHV. All Transaero products are aviation related. According to Mr. Odvody, BHV purchases directly from Transaero and resells to Glomex MS directly and without commission. All parties in such transactions act individually. Any profit is built into the cost of the transaction and there are no additional fees or commissions. Upon receipt of the products from suppliers or subcontractors, Glomex MS maintains possession until final transfer to the MOD. Glomex MS is currently in the process of relocating its offices and warehouse. Both the existing and future storage facility have a 24-hour security guard on duty as well as a series of four locks with Mr. Odvody being only person with the key to the fourth lock. All items are inventoried by serial number. Mr. Odvody was familiar with regulations governing the import of U.S.-origin defense articles as well as the restrictions on re-transfer or re-export.

¶3. (SBU) On 28 August 2009, POLOFF met with the director of the Ministry of Defense's National Armaments Division, Jiri Stanek and members of his staff. Mr Stanek confirmed the order for all defense related articles contained in reftel and added that the materials were expected to be received by the MOD within the next several days. According to Mr. Stanek, Glomex MS's role in this transaction was to negotiate

the purchase of aviation breathing equipment. In accordance with Czech law, the MOD put out a public tender for this transaction and accepted Glomex MS's bid. The MOD did not pay any fee or commission to Glomex MS and Mr Stanek assumed that any profit for Glomex MS was likely derived from costs built into the final price of the transaction. The MOD had no direct contact with the German firm BHV but was aware that they acted as a subcontractor to Glomex MS and were mostly involved in the installation of microphones into the breathing system. The MOD has dealt with Glomex MS on multiple occasions in the past and had no reasons to suspect that Glomex MS was involved in any illegal dealings or engaged in any sort of behavior that would cause the MOD to stop doing business with Glomex MS.

¶4. (SBU) On 1 October 2009, POLOFF met with Petr Gilka, the Deputy Director of the Licensing Department at the Ministry of Industry and Trade and his assistant, Lenka Hrachovocova. According to Mr. Gilka, Glomex MS has a five-year authorization to act as a broker for the import of defense related materials to the Czech Republic. Mr. Gilka added that he was unaware of any problems involving Glomex MS and noted that, to his knowledge, Glomex MS did not deal with countries prohibited from receiving defense related materials in accordance with Czech Republic law 3894 which governs such matters.

Thompson-Jones